

Bank Handlowy w Warszawie S.A.

Consolidated financial results for 1Q 2018

May 11 2018

www.citihandlowy.pl
Bank Handlowy w Warszawie S.A.

The logo for Citi Handlowy, featuring the word "citi" in white lowercase letters with a red arc above the "i", followed by "handlowy" in white lowercase letters, and a registered trademark symbol (®) to the right.

1Q 2018 summary



Robust beginning of the year

- Strong **net profit increase: PLN 146 MM**. More than 3 times higher comparing to last year;
- **Positive** dynamics in every **revenue line**:
 - Net interest income: **+9% YoY**
 - Net fee and commission income: **+5% YoY**
 - Treasury: **+73% YoY**
- Increase of profitability ratio: **ROE 10.0% vs. 8.7%** in Q1'17, **ROTE 12.5% vs. 10.9%** in Q1'17 and **ROA 1.45% vs. 1.23%** in Q1'17;
- Continuation of **loan volumes growth: +5% YoY**



Next stages of digitization in contact with Clients

- **Credit Card acquisition model automation**: almost half of Credit Cards sold in digital channels in cooperation with the largest e-commerce platforms;
- **Chatbot**: Supporting clients in search for best discount at Citi Specials;



Focus on growth in strategic areas

- **Globality** – domestic Citi Handlowy Clients are doing business in 36 countries;
- **FX** – unique multicurrency account in exotic currencies – **143 currencies**;
- **Credit Card** – over two-fold growth of installment products;
- **Wealth Management** – increase in number of clients in the CPC and Citigold segment by **+7% YoY**

Citi Handlowy financial results – reported data

(PLN MM)

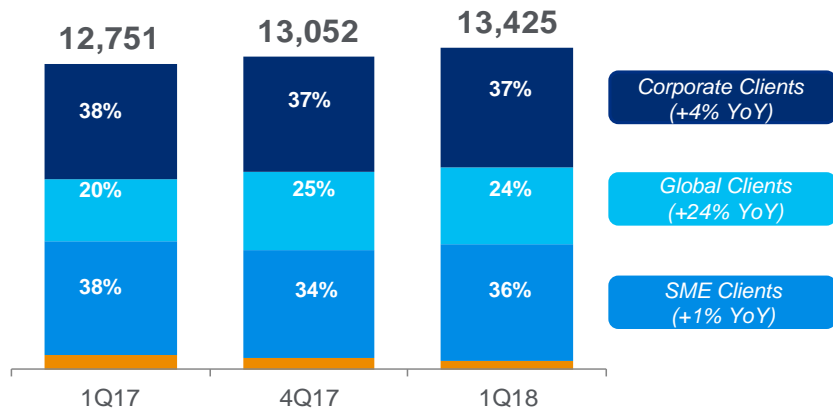
| | 1Q18 | 4Q17 | ΔQoQ | 1Q17 | ΔYoY |
|-----------------------------------|---------------|---------------|--------------|---------------|--------------|
| Net interest income | 277 | 290 | (5%) | 254 | 9% |
| Net fee and commission income | 142 | 145 | (2%) | 134 | 5% |
| Treasury | 134 | 107 | 26% | 78 | 73% |
| Other income | 14 | 5 | - | 1 | - |
| Total revenue | 567 | 546 | 4% | 467 | 21% |
| Expenses | 346 | 280 | 24% | 343 | 1% |
| Net impairment losses | 6 | 38 | (86%) | 29 | (81%) |
| Bank levy | 19 | 18 | 4% | 20 | (3%) |
| Profit before tax | 197 | 210 | (6%) | 75 | 162% |
| Net profit | 146 | 163 | (11%) | 43 | 242% |
| <i>Return on Assets</i> | 1.45% | 1.21% | | 1.23% | |
| <i>Return on Tangible Equity</i> | 12.5% | 10.6% | | 10.9% | |
| ----- | | | | | |
| Total comprehensive income | 233 | 233 | 0% | 74 | 213% |
| ----- | | | | | |
| Net loans | 20,185 | 19,849 | 2% | 19,218 | 5% |
| Deposits | 31,324 | 32,137 | (3%) | 31,725 | (1%) |
| Equity | 7,096 | 6,939 | 2% | 6,865 | 3% |

Client volumes

Institutional clients loans – non banking sector

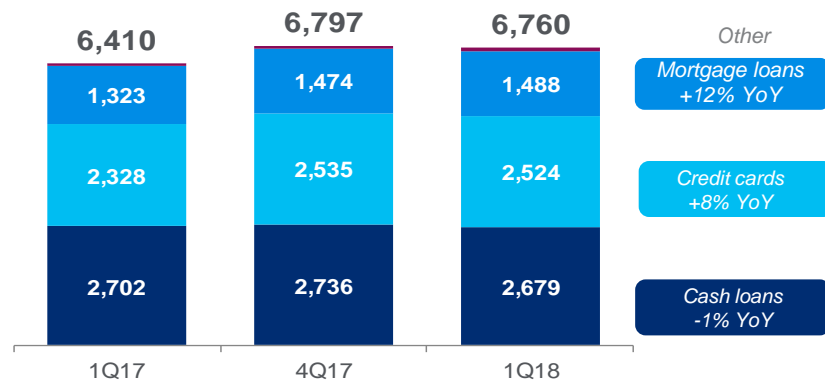
(excl. reverse repo)

+5%



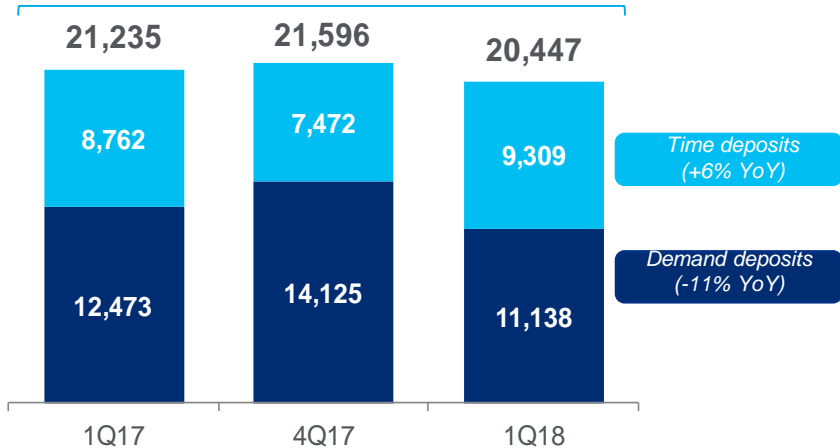
Individual clients loans

+5%



Institutional clients deposits – non banking sector

-4%



Loans/
Deposits
65%

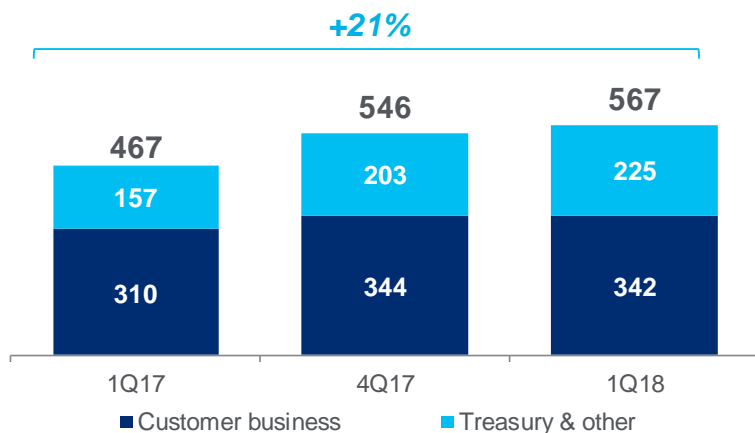
Individual clients deposits

+4%



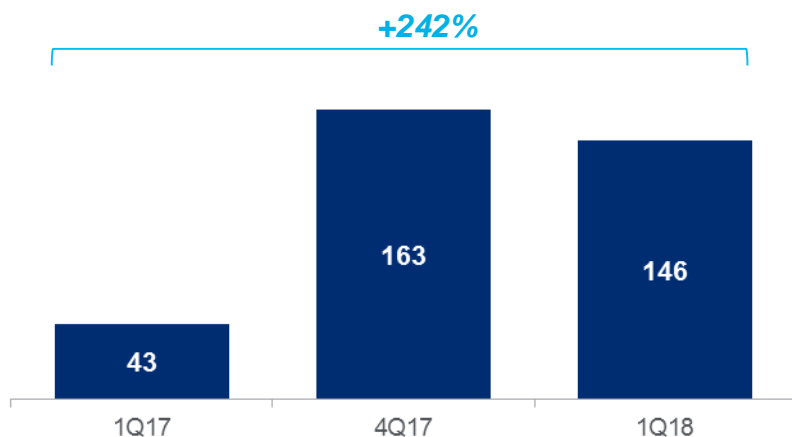
Revenue and net income

Revenue (PLN MM)



- Customer revenue growth **+10% YoY**;
- Main engine of core revenue growth is net interest income.
- Treasury result **+33% YoY** confirming leading position on treasury securities market.

Net income (PLN MM)



Key ratios

| | Q1'18 | YoY |
|--------------------|---------|-----------|
| ROA ¹⁾ | 145 bps | +22 bps |
| ROE ²⁾ | 10.0% | +1.3 p.p. |
| ROTE ³⁾ | 12.5% | 1.6 p.p. |
| Tier 1 | 17.3% | 0 p.p. |
| NPL | 3.2% | +0.3 p.p. |

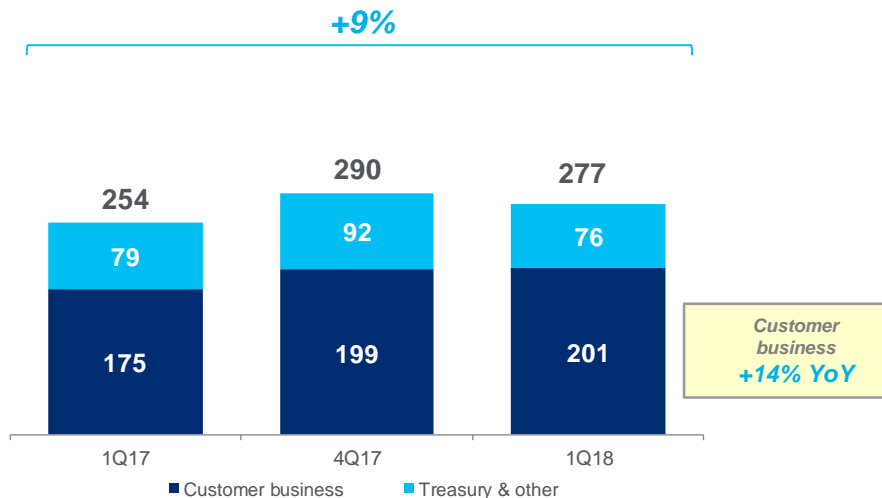
1) ROA = 4 consecutive quarters net income sum / 4 consecutive quarters average assets volume;

2) ROE = 4 consecutive quarters net income sum / 4 consecutive quarters equity volume;

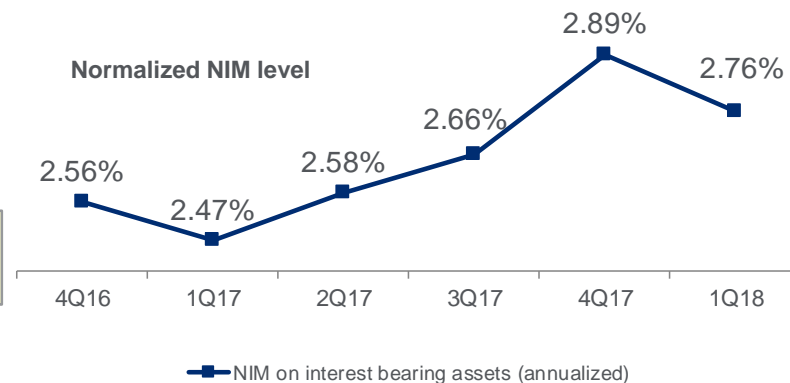
3) ROTE = 4 consecutive quarters net income sum / 4 consecutive quarters equity volume decreased by net profit and goodwill;

Revenue split

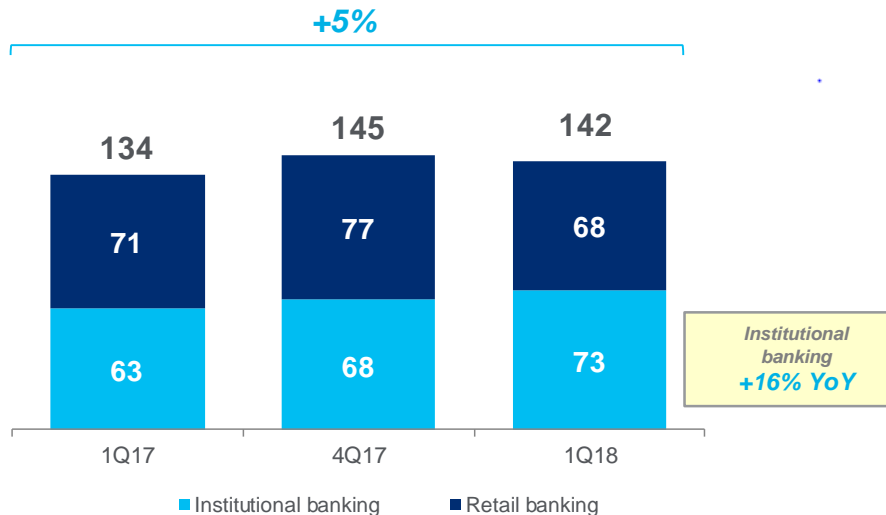
Net interest income (PLN MM)



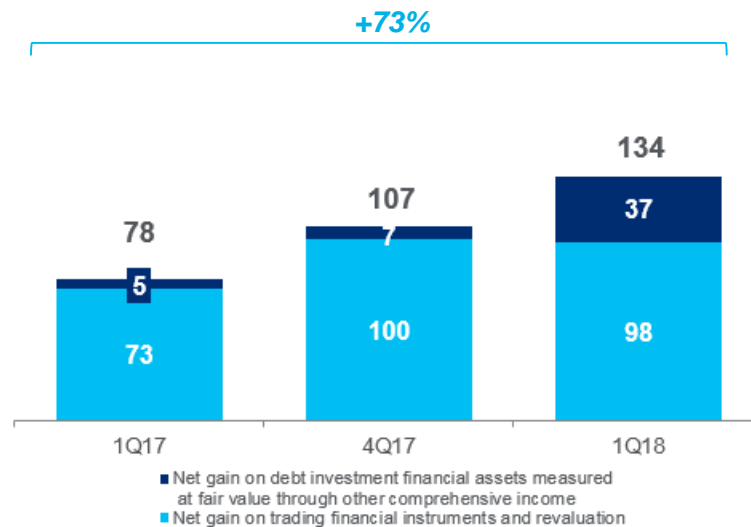
Net interest margin



Net fee & commission income (PLN MM)

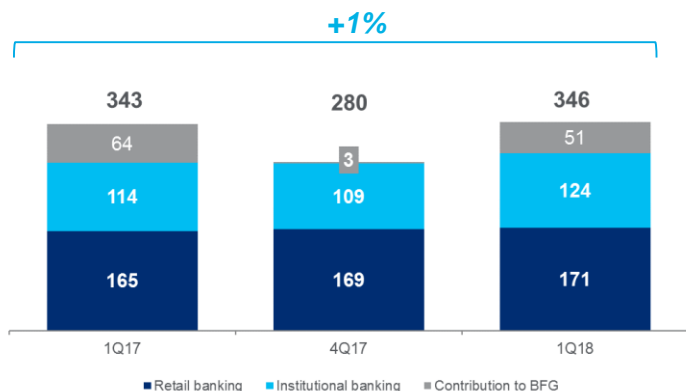


Treasury result (PLN MM)

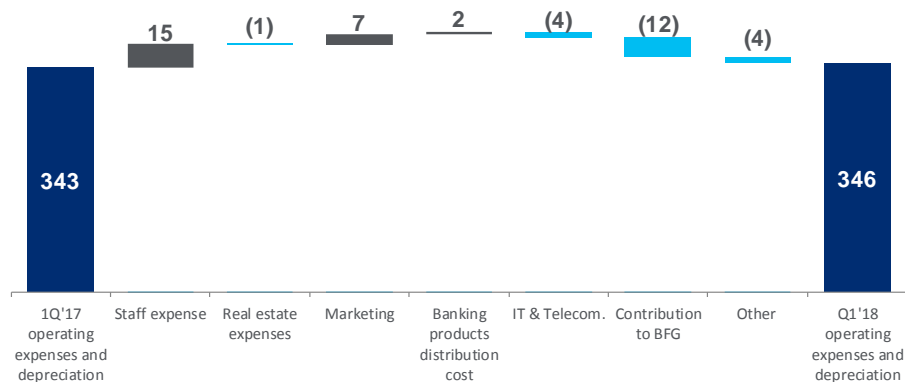


Operating expenses and cost of risk

Operating expenses and depreciation (PLN MM)

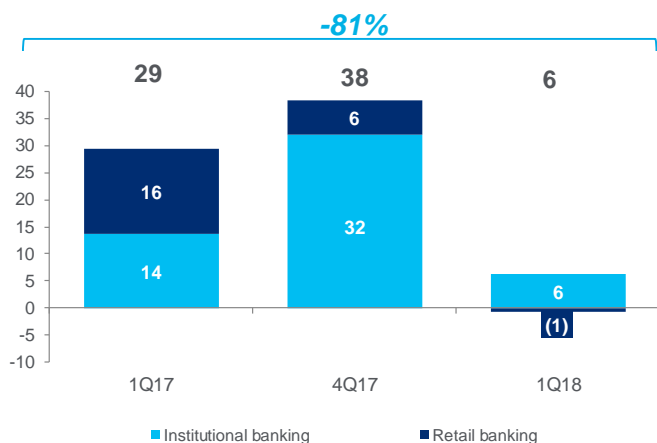


Operating expenses decomposition

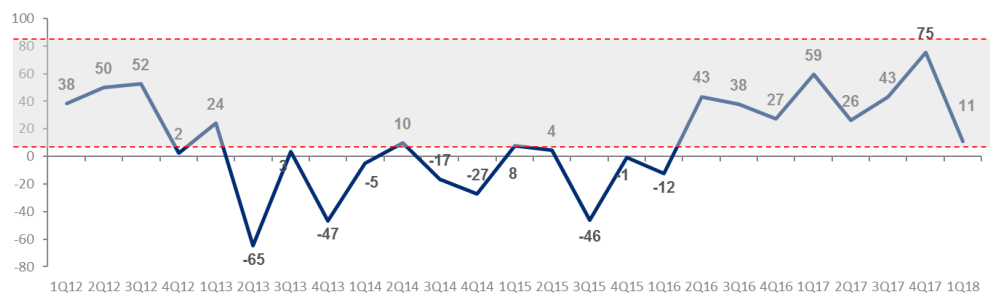


- Investment in Citi Handlowy brand awareness continuation
- Increase of business development related staff expenses

Net impairment losses (PLN MM)



Cost of Risk (bps)

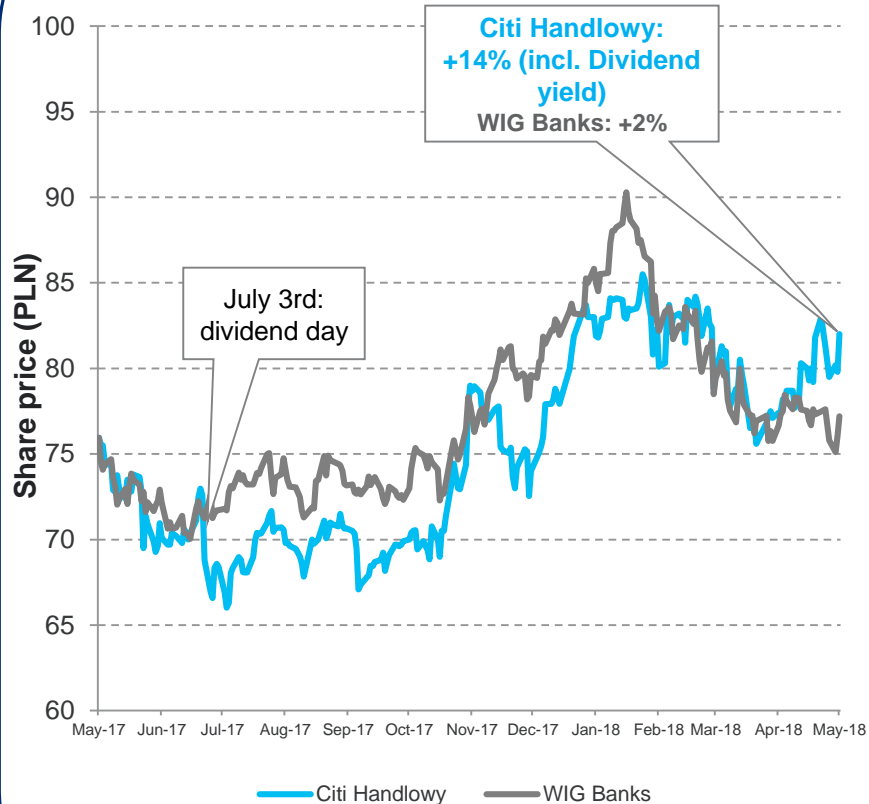


- Cost of risk under control, with simultaneous consequent loan portfolio growth

Note: Sign „+“ in net impairment losses means that the impairment loss is accounted (negative impact on P&L)

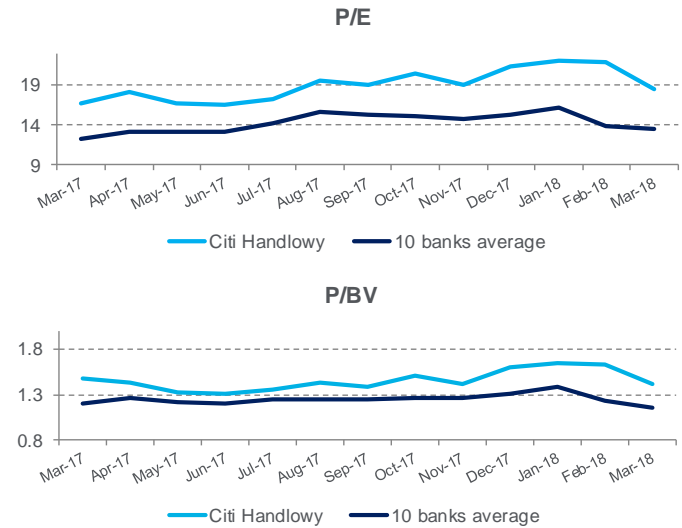
Change in Bank's share price

Citi Handlowy share price vs. WIG Banks index relative performance



Note: Last quotation May 9th 2018 (Citi Handlowy: PLN 82.00)

P/E and P/BV ratios in 12M horizon



Awards



Citi Handlowy among the most transparent companies listed on WSE

The logo for Citi Handlowy features the word "citi" in a lowercase, sans-serif font with a red arc above the letters "i" and "t". To the right of "citi" is the word "handlowy" in a larger, lowercase, sans-serif font. A registered trademark symbol (®) is located at the top right of the word "handlowy".

citi handlowy®

Citi and Citi Handlowy are registered trademarks of Citigroup Inc., used under license. Citigroup Inc. and its subsidiaries are also entitled to rights to certain other trademarks contained herein. Bank Handlowy w Warszawie S.A. with its registered office in Warsaw at ul. Senatorska 16, 00-923 Warszawa, entered in the Register of Entrepreneurs of the National Court Register by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Department of the National Court Register, under KRS No. 000 000 1538, NIP 526-030-02-91; the share capital is PLN 522,638,400, fully paid-up.

Appendix

Profit and loss account - Total Bank

| PLN MM | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 1Q18 vs. 4Q17 | | 1Q18 vs. 1Q17 | |
|--------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|---------------|--------------|
| | | | | | | PLN MM | % | PLN MM | % |
| Net interest income | 254 | 264 | 273 | 290 | 277 | (13) | (5%) | 23 | 9% |
| Net fee and commission income | 134 | 155 | 146 | 145 | 142 | (3) | (2%) | 7 | 5% |
| Dividend income | - | 9 | 0 | 0 | 0 | (0) | (75%) | 0 | - |
| Net gain on trading financial instruments and revaluation | 73 | 80 | 94 | 100 | 98 | (2) | (2%) | 25 | 34% |
| Net gain on debt investment financial assets measured at fair value through other comprehensive income | 5 | 11 | 13 | 7 | 37 | 30 | 427% | 32 | 636% |
| Hedge accounting | 5 | (1) | 3 | 4 | 4 | (0) | (4%) | (1) | (20%) |
| Treasury | 82 | 90 | 109 | 111 | 138 | 27 | 25% | 56 | 68% |
| Net gain on other equity instruments | 0 | 3 | - | - | 0 | 0 | - | 0 | 63% |
| Net other operating income | (4) | 3 | 1 | 1 | 10 | 10 | 1908% | 14 | - |
| Revenue | 467 | 524 | 530 | 546 | 567 | 21 | 4% | 100 | 21% |
| Expenses | (326) | (271) | (260) | (261) | (327) | (66) | 25% | (1) | 0% |
| Depreciation | (17) | (19) | (19) | (19) | (19) | 0 | (2%) | (2) | 12% |
| Expenses and depreciation | (343) | (290) | (279) | (280) | (346) | (66) | 24% | (3) | 1% |
| Operating margin | 124 | 234 | 252 | 266 | 221 | (45) | (17%) | 97 | 78% |
| Profit/(loss) on sale of tangible fixed assets | 0 | 0 | 11 | 0 | (0) | (1) | - | (0) | - |
| Net impairment losses | (29) | (13) | (22) | (38) | (6) | 33 | (86%) | 24 | (81%) |
| Share in profits / (losses) of entities valued at the equity method | 0 | 0 | 0 | (0) | 0 | 0 | - | 0 | 200% |
| Tax on certain financial institutions | (20) | (21) | (19) | (18) | (19) | (1) | 4% | 1 | (3%) |
| EBIT | 75 | 201 | 221 | 210 | 197 | (14) | (6%) | 122 | 162% |
| Corporate income tax | (32) | (43) | (49) | (47) | (51) | (4) | 9% | (18) | 57% |
| Net profit | 43 | 158 | 172 | 163 | 146 | (18) | (11%) | 103 | 242% |
| C/I ratio | 73% | 55% | 53% | 51% | 61% | | | | |

Institutional Banking - profit and loss account

| PLN MM | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 1Q18 vs. 4Q17 | | 1Q18 vs. 1Q17 | |
|--------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|---------------|-------------|
| | | | | | | PLN MM | % | PLN MM | % |
| Net interest income | 112 | 122 | 126 | 143 | 129 | (14) | (10%) | 17 | 16% |
| Net fee and commission income | 63 | 83 | 68 | 68 | 73 | 5 | 8% | 10 | 16% |
| Dividend income | - | 1 | 0 | 0 | 0 | (0) | (89%) | 0 | - |
| Net gain on trading financial instruments and revaluation | 64 | 73 | 86 | 93 | 91 | (2) | (2%) | 26 | 41% |
| Net gain on debt investment financial assets measured at fair value through other comprehensive income | 5 | 11 | 13 | 7 | 37 | 30 | 427% | 32 | 636% |
| Hedge accounting | 5 | (1) | 3 | 4 | 4 | (0) | (4%) | (1) | (20%) |
| Treasury | 74 | 83 | 102 | 104 | 131 | 27 | 27% | 57 | 77% |
| Net gain on other equity instruments | 0 | 3 | - | - | 0 | 0 | - | 0 | 63% |
| Net other operating income | 4 | 6 | 5 | 4 | 4 | (0) | (1%) | (1) | (18%) |
| Revenue | 254 | 298 | 301 | 318 | 337 | 19 | 6% | 84 | 33% |
| Expenses | (165) | (106) | (108) | (105) | (163) | (58) | 55% | 2 | (1%) |
| Depreciation | (5) | (5) | (5) | (5) | (5) | (0) | 0% | 0 | (6%) |
| Expenses and depreciation | (170) | (111) | (113) | (110) | (168) | (58) | 53% | 3 | (2%) |
| Operating margin | 84 | 187 | 188 | 209 | 170 | (39) | (19%) | 86 | 103% |
| Profit/(loss) on sale of tangible fixed assets | 0 | 0 | 10 | 0 | 0 | (1) | - | (0) | - |
| Net impairment losses | (14) | 2 | (8) | (32) | (6) | 26 | (80%) | 7 | (54%) |
| Tax on certain financial institutions | (14) | (15) | (14) | (13) | (14) | (1) | 7% | 0 | (3%) |
| Share in profits / (losses) of entities valued at the equity method | 0 | 0 | 0 | (0) | 0 | 0 | - | 0 | 200% |
| EBIT | 56 | 174 | 177 | 164 | 150 | (14) | (9%) | 94 | 169% |
| C/I ratio | 67% | 37% | 37% | 35% | 50% | | | | |

Retail Banking - profit and loss account

| PLN MM | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 1Q18 vs. 4Q17 | | 1Q18 vs. 1Q17 | |
|-----------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|---------------|-------------|
| | | | | | | PLN MM | % | PLN MM | % |
| Net interest income | 143 | 142 | 148 | 148 | 148 | 1 | 0% | 5 | 4% |
| Net fee and commission income | 71 | 72 | 78 | 77 | 68 | (8) | (11%) | (3) | (4%) |
| Dividend income | - | 8 | - | 0 | 0 | (0) | (45%) | 0 | - |
| Net gain on trading financial instruments and revaluation | 8 | 7 | 7 | 7 | 7 | (0) | (2%) | (1) | (17%) |
| Net gain on other equity instruments | - | - | - | - | - | - | - | - | - |
| Net other operating income | (8) | (3) | (4) | (3) | 7 | 10 | - | 15 | - |
| Revenue | 213 | 226 | 230 | 228 | 230 | 2 | 1% | 17 | 8% |
| Expenses | (161) | (165) | (153) | (156) | (165) | (9) | 6% | (3) | 2% |
| Depreciation | (12) | (14) | (14) | (14) | (14) | 0 | (3%) | (2) | 20% |
| Expenses and depreciation | (173) | (179) | (166) | (170) | (179) | (8) | 5% | (6) | 3% |
| Operating margin | 41 | 48 | 63 | 58 | 52 | (6) | (11%) | 11 | 27% |
| Net impairment losses | (16) | (15) | (14) | (6) | 1 | 7 | - | 16 | - |
| Tax on certain financial institutions | (5) | (5) | (5) | (5) | (5) | 0 | (3%) | 0 | (3%) |
| EBIT | 20 | 27 | 43 | 46 | 47 | 1 | 2% | 28 | 141% |
| C/I ratio | 81% | 79% | 72% | 75% | 78% | | | | |

Balance sheet

| PLN B | End of period | | | | | 1Q18 vs. 4Q17 | | 1Q18 vs. 1Q17 | |
|----------------------------------------------------------------------------------------|---------------|-------|-------|-------|-------|---------------|-------|---------------|--------|
| | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 | PLN B | % | PLN B | % |
| Cash and balances with the Central Bank | 2.2 | 0.5 | 0.6 | 0.5 | 0.5 | 0.0 | 1% | (1.8) | (79%) |
| Amounts due from banks | 0.8 | 0.7 | 0.6 | 0.8 | 1.2 | 0.4 | 46% | 0.4 | 53% |
| Financial assets held-for-trading | 2.0 | 1.9 | 2.3 | 2.2 | 4.1 | 1.9 | 88% | 2.1 | 102% |
| Debt financial asstes measured at fair value through other comprehensive income | 17.3 | 19.5 | 18.5 | 17.4 | 16.2 | (1.3) | (7%) | (1.1) | (7%) |
| Customer loans | 19.2 | 19.7 | 19.9 | 19.8 | 20.2 | 0.3 | 2% | 1.0 | 5% |
| Financial sector entities | 2.0 | 1.8 | 1.8 | 2.0 | 1.9 | (0.1) | (3%) | (0.0) | (2%) |
| including reverse repo receivables | 0.1 | - | - | - | - | 0.0 | - | (0.1) | (100%) |
| Non-financial sector entities | 17.2 | 17.9 | 18.1 | 17.9 | 18.2 | 0.4 | 2% | 1.0 | 6% |
| Institutional Banking | 10.8 | 11.3 | 11.4 | 11.1 | 11.5 | 0.4 | 4% | 0.7 | 6% |
| Consumer Banking | 6.4 | 6.6 | 6.7 | 6.8 | 6.8 | (0.0) | (1%) | 0.4 | 5% |
| Unsecured receivables | 5.1 | 5.2 | 5.3 | 5.3 | 5.3 | (0.1) | (1%) | 0.2 | 4% |
| Credit cards | 2.3 | 2.4 | 2.5 | 2.5 | 2.5 | (0.0) | (0%) | 0.2 | 8% |
| Cash loans | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 | (0.1) | (2%) | (0.0) | (1%) |
| Other unsecured receivables | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 | 0.0 | 31% | 0.0 | 22% |
| Mortgage | 1.3 | 1.4 | 1.4 | 1.5 | 1.5 | 0.0 | 1% | 0.2 | 12% |
| Other assets | 3.2 | 38.1 | 2.4 | 2.3 | 2.3 | 0.0 | 2% | (0.9) | (27%) |
| Total assets | 44.8 | 38.1 | 44.2 | 43.0 | 44.5 | 1.4 | 3% | (0.3) | (1%) |
| Liabilities due to banks | 3.0 | - | 2.6 | 1.6 | 3.2 | 1.7 | 105% | 0.3 | 9% |
| Financial liabilities held-for-trading | 1.5 | 6.5 | 1.3 | 1.4 | 1.7 | 0.3 | 24% | 0.2 | 14% |
| Financial liabilities due to customers | 31.7 | - | 32.3 | 32.1 | 31.3 | (0.8) | (3%) | (0.4) | (1%) |
| Financial sector entities - deposits | 4.3 | 44.6 | 4.4 | 4.9 | 5.9 | 1.1 | 22% | 1.6 | 38% |
| Non-financial sector entities - deposits | 27.2 | - | 27.7 | 27.1 | 25.2 | (1.9) | (7%) | (2.1) | (8%) |
| Institutional Banking | 16.9 | 0.7 | 17.3 | 16.7 | 14.5 | (2.2) | (13%) | (2.4) | (14%) |
| Consumer Banking | 10.3 | 0.2 | 10.4 | 10.3 | 10.7 | 0.3 | 3% | 0.4 | 4% |
| Other financial liabilities | 0.1 | 0.0 | 0.2 | 0.2 | 0.2 | (0.0) | (12%) | 0.0 | 34% |
| Other liabilities | 1.7 | 38.1 | 37.5 | 36.1 | 37.4 | 1.3 | 4% | 35.6 | 2048% |
| Total liabilities | 37.9 | 38.1 | 37.5 | 36.1 | 37.4 | 1.3 | 4% | (0.5) | (1%) |
| Equity | 6.9 | 6.5 | 6.7 | 6.9 | 7.1 | 0.2 | 2% | 0.2 | 3% |
| Total liabilities & equity | 44.8 | 44.6 | 44.2 | 43.0 | 44.5 | 1.4 | 3% | (0.3) | (1%) |
| Loans / Deposits ratio | 63% | 66% | 65% | 66% | 72% | | | | |
| Capital Adequacy Ratio | 17.3% | 17.7% | 17.3% | 17.9% | 17.3% | | | | |
| NPL* | 2.9% | 2.9% | 2.9% | 3.2% | 3.2% | | | | |

*as reported, incl. reverse repo